ITT's Rohatyn Questions Staff Actions

By Philip Greer
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NEW York, march 18—Actions by International Telephone and Telegraph Corp. since publication of a disputed memo linking settlement of an antitrust suit with a financial pledge for the Republican National Convention "look wrong" and will have to be examined closely by the giant conglomerate's board of directors, Felix G. Rohatyn, an ITT director, said today.

"I don't know whether the company has handled it wrong, I know it looks wrong and because of that we're goingto have a look into it," Rohatyn said in an interview.

Rohatyn, a partner in the investment bankingfirm of Lazard Frres & Co., helped persuade the Justice Department to allow the merger of Hartford Fire Insurance Co. into ITT in 1971, after the antitrust division had filed suit to stop the takeover.

"In view of everything that's happened," Rohatyn said, "it seems to me inevitable that there are going to be questions adked as to whaat happened and how it happened and whether in the future we should be doing things differently."

Rohatyn made clear that he does not think there was any impropriety in his meetings with acting Attorney General Richard G. Kleindienst, then deputy attorney general, and Richard W. McLaren, then chief of the antitruse division. In fact, he said, he considered his part in the negotiations part of his responsibility as a director and he would do it again.

"In view of all this flak, though," he said, "there certainly is a question to be raised as to whether any involvement with anything that looks political is a reasonable business proposition for a company. By that I would include San Diego, evan though it's completely innocent and even though it has nothing to do with anything.

"The second thing that I'm sure is going to be looked into is the philosophical question of the interaction of the Washington offices and the company's image and what this has done," he added.

In an interviewtat ranged across is entire involvement in the negotiations with the Justice department, Rohatyn said that, at the time, he firmly believed a court-ordered divestiture of Hartford, which ITT had acquired in 1970, would cause great damage to the company's shareholders, to the stock market and to the national economy.

Rohatyn at the time was chairman of a New York Stock Exchange committee charged with overseeing rescue operations for brokerage firms in financial difficulties in the operating and financial squeeze of 1968-70.

"Francis I. du Pont was three days from being closed," he saidtoday. "The Securities Investor Protection Corp .(established by Congress at the beginning of 1971) was three months old and it wasn't funded. A bombshell thrown at ITT could have tilted a situation that was very much on edge," he said.

At a meeting with ITT Chairman and President Harold S. Geneen early in April, Rohatyn said, he was told that Kleindienst had indicated to "somebody in the company" that he would be willing to discuss the problem with a representative "who was not a lawyer and could make an economic and financial case that presumably had not been made before."

Geneen, Rohatyn said, asked him to meet with Kleindienst. "It seemed to me that there was a very valid argument to be made," Rohatyn explained. "ITT is not an insubstantial national asset. Before making final decisions on drastic surgery, I felt they ought to listen to these things."

Asked if he thought Kleindienst's action in meeting with a representative of the company was proper without including McLaren, whose division was prosecuting the antitrust case, Rohatyn said:

"I think it was perfectly proper for Kleindienst to say if you think you have an economic case and think nobody here has listened to it and you have somebody who is responsible and has credentials and can make that case, I'll listen to it."

Rohatyn said he and other directors felt that the consent agreement, which requires ITT to divest itself of a number of subsidiaries including Avis Corp., Canteen Corp. of America, a part of Grinnell Corp., and ITT-Levitt, was harmful to the company, but that divestiture of Hartford would have been even worse. "I couldn't agree to the voluntary divestiture of Hartford," he said.

"Of course, we would have done it if the court ordered it, but I couldn't vote for it and I don't think Geneen would have recommended acceptance," he said. "As it was, we probably would have voted it down if they hadn't let us keep a part of the Grinnell Corp."